

# Modeling a Program of Family and Medical Leave Insurance

House General & Housing Committee  
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**JFO**

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# Decisions Involved in Setting Up a Program of FMLI

- What types of leave?
- Who is eligible for benefits?
- What are the parameters in the benefit formula?
- How much do administrative services cost?
- How is program revenue raised?



# Types of Leave

- Own serious illness
- Family member's serious illness
- New baby/adoption/foster care
- Military families
- Safe leave
- Bereavement leave
  - ➔ How many people will take each type of leave?
  - ➔ How many weeks per type of leave?



# Benefit eligibility

- Must have contributed to the program
  - Earned wages from which contributions were withheld in 2 of the last 4 quarters
  - Any amount of wages in each quarter is sufficient
- Include self-employed individuals or not
  - If include, voluntary or mandatory
  - If opt in, for what period of time
  - How to re-up enrollment



# Parameters in the benefit formula

- Reimbursement rate, or what % of weekly wages would be paid out
  - H.66: 100% of own weekly average wage up to Statewide Average Weekly Wage
  - Would be the most generous benefit of all states with paid family leave programs
- Maximum weekly benefit
- Waiting period, if any
- Length of various benefit leaves
- Maximum total number of weeks taken per year
- Minimum number of leave hours taken
- Intermittent vs. continuous leave



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- Waiting period, if any
- Length of various benefit leaves
- Maximum total number of weeks taken per year
- Minimum number of leave hours taken – not currently addressed in bill
- Intermittent vs. continuous leave – not currently addressed in bill
  - ➔ Expected cost of benefits



# Parameters currently in H.66

Parameters	H.66 Parameters
Types of Leave Covered	Own health, maternity/parental, family care, safe, and bereavement
Length of Leave Cap	12 weeks (2 of which can be bereavement)
Maximum Weekly Benefit	Vermont Average Weekly Wage (\$1,135 in 2022)
Wage Replacement Rate	100%
Waiting Period	Applications must be reviewed and decided upon within 5 days



# Administrative costs

- One-time costs as well as on-going costs
  - One-time costs include software development, IT hardware, start-up personnel, rule-making, establishing a FMLI Special Fund
    - H.66: responsibilities split among VT Dept of Labor, Dept of Taxes, Finance and Management, and Treasurer's Office
  - On-going costs include personnel and IT upkeep for benefit eligibility and payout, appeals, revenue collection, etc.
- Operation generally requires 12 months' expected benefit costs plus administrative costs in the Special Fund
- In addition, prudence generally requires a reserve fund
  - H.66: 9 months of projected benefit payments



# Collecting program revenue

- Type of tax or contribution used to raise revenue
  - H.66: Payroll tax on wages
- Who pays the tax or contribution
  - H.66: Employers pay at least half the payroll tax
  - Employers withhold employees' contributions like income tax withholding
  - If self-employed individuals opt in, they pay the full amount of payroll tax in quarterly estimated tax payments



# Tax base

- Contributions to be levied on Vermont wages, cap and/or floor
- Wages up to twice the Social Security taxable maximum amount are subject to the payroll tax
  - Up to \$294,000 in 2022; up to \$320,400 in 2023
    - Indexed to average weekly wages in the U.S. economy
- H.66: exempt individuals with combined wages less than \$25,000
  - Collect contribution throughout the year, then refund through tax filing
- Number of taxpayers with nonzero capped and floored wages
  - About 244,400 in 2022
- H.66: Employers can opt out if they have an equivalent or better plan



# Estimating FMLI leaves and their cost

- JFO previously used model results through the Institute for Women's Policy Research (IWPR)
  - That model was also the basis for the 2016 Paid Family Leave report
- The U.S. Department of Labor hired IWPR and IMPAQ to make the model accessible to the public
  - JFO is using that publicly available model to model the expected leaves and expected benefit costs
  - Expected leave comes from Rhode Island
  - We currently assume on-going administrative costs of 7.5% of benefit cost
  - JFO does not yet have specific start-up costs
  - JFO has not yet looked at monthly cash flow

# Estimated Costs of Benefits and Funding

<b>Number of Leaves Taken and Receiving Program Benefits</b>	
Own Health Condition	8,321
Maternity/Parental	6,892
Family Care	729
Safe Leave	3,523
Bereavement	5,832
<b>Average Weekly Benefit</b>	\$545.32
<b>Benefit Cost (\$ Millions)</b>	\$79.5
Own Health Condition	\$47.2
Maternity/Parental	\$21.3
Family Care	\$2.4
Safe Leave	\$4.4
Bereavement	\$4.3
<b>Administrative Cost (7.5%, \$ Millions)</b>	\$6.0
<b>Total Cost (\$ Millions)</b>	\$85.5
<b>Estimated Total Premium</b>	
Cost as a Percent of Earnings up to 2x the Social Security Max (with exemption for those earning \$25,000 or less)	0.55%

Note: JFO has revised the payroll tax rate as we are refining the modeling. Program costs and tax rate are still preliminary.



Thank you!

